

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing an Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	
)	WC Docket No. 03-109

Reply Comments of the Rural Broadband Alliance

The Rural Broadband Alliance (the “Alliance” or “RBA”) respectfully submits these Reply Comments in the above-referenced proceeding.

The Alliance is a growing coalition of more than two hundred rural incumbent local exchange carriers formed to advance communications policies that foster the deployment and adoption of broadband services throughout the nation, particularly in small towns and rural areas. This proceeding is of enormous importance to the future of the Alliance member companies and the communities they serve. Indeed, decisions made pursuant to this proceeding will affect the future of communications pricing, speed, and scope of services for years to come. Since these matters directly affect jobs, economic development, education and healthcare, they are obviously

critical to rural areas and small towns, as is reflected in the record of this consolidated proceeding.

For example, the Kansas Rural Independent Telephone Companies, *et al.* state, “Existing broadband service presently supports the growing provision of educational, medical and commercial services otherwise unavailable in rural markets. Discontinuance of existing broadband services due to new regulatory policies would deny existing and expanding availability of these services in these markets. . . . Rural communities and rural economies face continuing challenges, and advanced communications services are crucial to any effort to arrest or reverse rural declines. . . . New policy, however must be crafted carefully and responsibly to avoid creation of new impediments to availability.”¹ The Alliance agrees.

The statutory framework of the Telecommunications Act of 1996 requires that universal service coverage and comparability of rates and services serve as a cornerstone for any future communications policy development. Explaining the statutory violation that would occur as a result of shifting revenues from intrastate access charges without a compensating mechanism, GVNW stated, “If the Commission, in partnership with state regulators, were to proceed with any such reductions in intrastate access charges, there must also be created a mechanism that will afford rural wireline carriers the opportunity to replace the lost revenue from the rate equalization. Without this type of revenue offset, rural carriers would be unable to continue the transition to a more ubiquitous broadband network in the highest cost to serve areas of the country, and customers of these carriers face the potential for very significant increases or SLCs

¹ Comments of the Kansas Rural Independent Telephone Companies, State Independent Telephone Association, and Rural Telecommunications Management Council, WC Dkt. No. 10-90, GN Dkt. No. 09-51, WC Dkt. No. 07-135, WC Dkt. No. 05-337, CC Dkt. No. 01-92, CC Docket No. 96-45 and WC Dkt. No. 03-109 (consolidated proceeding hereinafter referred to as “*USF/ICC Transformation NPRM*”) at 6 and 8 (filed April 18, 2011).

that would not meet the comparable rate standard found in section 254.”² This position is also endorsed by the Telecommunications Association of Maine: “[A]ny changes to the USF must be done in a manner that ensures the ongoing comparability of rates and services for voice as well as broadband, something the current proposals quite simply fail to do.”³

The analysis contained in the Comments of the State Members of the Federal State Joint Board (the “State Members”) also bears repeating. First, consistent with the Alliance’s proposed Transitional Stability Plan,⁴ the State Members of the Federal State Joint Board recognize the need for cost recovery of historic, as well as future, investments. “Providing support for capital costs is an essential prerequisite to the continued flow of private capital into telecommunications networks serving high cost areas. Bankers and equity investors need to be able to see that both past and future investments will be backed by long term support programs that are predictable over typical loan repayment periods. . . . The (State Members’ proposed) plan also allows early broadband adopters to recover existing network investments and also to make further upgrades.”⁵

Second, the Alliance agrees with the State Members that the current fund size may be insufficient to meet the long-term needs of rural users and their communities. “The cost of completing the national broadband build out will be substantial and will require added universal

² Comments of GVNW Consulting, Inc., *USF/ICC Transformation NPRM* at 23 (filed April 18, 2011).

³ Comments of the Telecommunications Association of Maine, *USF/ICC Transformation NPRM* at 5 (filed April 18, 2011).

⁴ *See generally*, Comments of the Rural Broadband Alliance, *USF/ICC Transformation NPRM* at 5 (filed April 18, 2011).

⁵ Comments of the State Members of the Federal State Joint Board on Universal Service, *USF/ICC Transformation NPRM* at 5 (filed May 2, 2011).

service support.”⁶ Explaining the reasons for this, the State Members noted, “Industry changes have also affected cost for ILECs Whatever the causes, this erosion of the wireline industry business model can present a choice between increasing support and accepting a network increasingly characterized by deferred maintenance, poor customer support, and declining service quality for both voice and broadband services.”⁷ Additionally, the State Members correctly observed that the “inclusion of ubiquitous broadband as a supported service only increases the demand for support. . . .”⁸ In other words, more cannot be done with less.

The Alliance also supports the State Members’ admonition to the Commission to move carefully and realistically with sufficient knowledge of the companies and their communities’ reliance on universal service funding and existing intercarrier compensation mechanisms. As the State Members said, “If the Commission does not have enough funds to achieve its goals, but it does nevertheless take the actions proposed in the NPRM, the net result could be actual harm to universal service. For carriers receiving support, reductions could translate into an inability to pay existing debts that were incurred for past network improvements, notably deploying broadband. Reductions could also induce defensive responses by carriers such as reducing capital expenditures, cutting back on customer service, and deferring maintenance. Over the next decade, customers in some rural areas could simply lose telecommunications service altogether or find that their provider’s facilities are so poorly maintained and unreliable as to make their telecommunications service almost worthless.”⁹ Obviously, this outcome would be

⁶ *Id.* at 10.

⁷ *Id.* at 9.

⁸ *Id.* at 10.

⁹ *Id.* at 15 -16.

devastating for economic recovery in rural America, and, critically, jeopardize the health and safety of rural communities.

Of additional concern to the Alliance is the possibility of adoption of an ill-conceived plan that is based upon a set of inaccurate assumptions held by the Commission - despite evidence to the contrary. Other commenters share this concern. For example, according to the Telecommunications Association of Maine, “Throughout the National Broadband Plan there are broad concepts, discussing big picture issues and ignoring one of the most, if not the most, important item to the average American: the cost of the monthly bill. Throughout the NPRM, the FCC appears to consider USF a subsidy to companies, when in actuality it is a cost sharing offset that allows rural Americans to have the same opportunities and access to services as urban Americans.”¹⁰

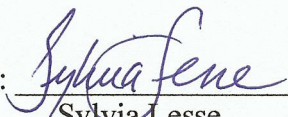
Review of numerous comments received by the Commission in this proceeding demonstrates the agreement among many commenters that (1) communications networks are vital for economic development and job growth in rural America, (2) the Telecommunications Act of 1996 requires comparability of urban and rural communications services and rates and the plan as proposed by the FCC will fail to meet this requirement, (3) recovery of costs for past as well as future investments is crucial to ensure the continuing flow of investment to small telephone companies and the communities they serve, (4) the current size of the existing universal service fund will likely be insufficient to meet the broadband needs envisioned by both the National Broadband Plan and required by consumers living in rural areas and small towns, and (5) the Commission should take great care to ensure that it accurately understands the use and value of USF to rural America before it adopts a plan of such far-reaching importance. The

¹⁰ Comments of the Telecommunications Association of Maine, *USF/ICC Transformation NPRM* at 4, (filed 4/18/2011).

Alliance has proposed a Transitional Stability Plan that addresses the concerns raised by commenters and highlighted above. Accordingly, the Alliance urges the Commission to expeditiously adopt the Transitional Stability Plan to ensure that rural and small town Americans can continue to have available the modern, affordable telecommunications services that are necessary to connect them for purposes of jobs and economic development, and crucial for the maintenance of public health and safety.

Respectfully submitted,

THE RURAL BROADBAND ALLIANCE

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